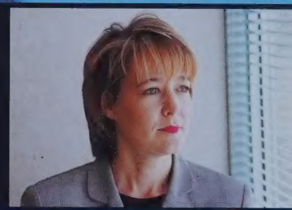
Bracknell Corporation

A North American Facilities Service Company



ANNUAL REPORT 1999

Corporate Profile

Bracknell Corporation is a growth-oriented provider of quality value-added facilities services to businesses across North America. Our core competencies include project management and execution for complex new installations and the ongoing operation and maintenance of established facilities, supported by a wide array of specific technical expertise. Our vision is to become the most recognized and most profitable facilities services provider in North America.

On the Cover:

LAURIE SIMPSON
Manager, IT Implementations, The State Group

Utilizing graphic screens like that pictured on the front cover of this year's Annual Report, the Regional Municipality of Durham can manage all equipment supplying and distributing water to the Oshawa-Whitby-Ajax-Pickering area east of Toronto, Ontario from a single operator workstation. Designed, engineered, developed and installed by The State Group, this state-of-the-art system monitors and controls all devices and process areas in any of the three water supply plants and nine pumping systems in the four-city control network.

Contents

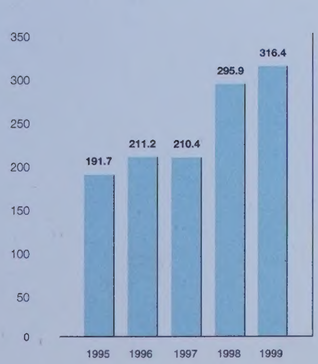
Financial Highlights

in millions of US dollars, except share amounts	**1999**	1998	% change
Revenue	**$ 316.4**	$ 295.9	6.9
Operating income before taxes [1]	**12.8**	8.5	50.9
Shareholders' equity	**95.5**	58.6	62.9
Net income per fully diluted share	**0.14**	0.27	(48.1)
Average fully diluted common shares outstanding	**29.1**	27.4	6.2

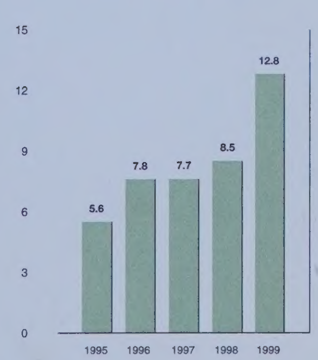
Operational Highlights

- Operating EPS increased 47% to US$0.25, the fifth year of growth.
- Operating margins increased from 2.9% to 4.0% of revenues.
- Two U.S. acquisitions expand North American presence, improve quality of earnings and build critical mass.
- Successful transition of Canada's largest facilities management contract.
- Secured new US$192.5 million banking facility to finance growth.
- Repositioned for future with aggressive business plan, revitalized management team and the shared vision to become the most recognized and most profitable facilities services provider in North America.

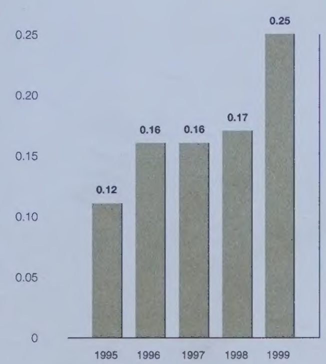
Revenue



Operating Earnings [1]

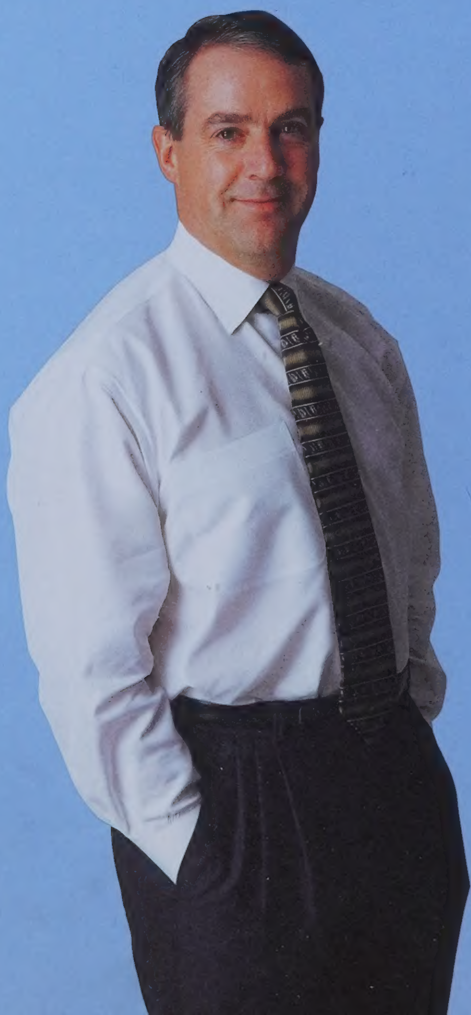


Operating EPS [2]



[1] Excluding restructuring and other charges
[2] Fully diluted

1999 was a watershed year for Bracknell. We are repositioning the Company to capitalize on the strong market fundamentals of our business and undertaking a number of initiatives to improve the quality and level of our operating performance.



PAUL D. MELNUK
President and Chief Executive Officer

Despite significant internal change over the course of the year, solid improvements were reflected in the underlying financial performance:

- Operating earnings per share increased by 47% to US$0.25 per share – the fifth year of improvement.
- Operating margins as a percentage of revenue increased a full 110 basis points from 2.9% to 4.0% reflecting gains in the underlying performance and quality of the business we are pursuing.
- Completion of two U.S. based acquisitions more than doubled our size, improving the mix of our value-added services and broadening and deepening our operating and executive management team.
- A new US$192.5 million bank facility provides flexibility to pursue new growth activities.
- Significant restructuring of management and resolution of long outstanding claims, although requiring a one-time charge of US$7.6 million, position the company for future growth and opportunity.

With the growing proportion of our business transacted in U.S. dollars, we have adopted that currency as our reporting currency. Therefore, all dollar amounts in this report are denominated in U.S. currency unless otherwise stated.

Our Business – Providing Quality Value-Added Facilities Services

At Bracknell Corporation, we provide a full-range of quality value-added facilities services for business corporations across North America. The systems for buildings, plant and equipment have become increasingly complex in today's technology-driven world. Further, these systems are more critical than ever to the ability to operate and run a business. Our customers are seeking to accelerate their time to market, reduce costs and realize efficiencies by outsourcing the management and the installation and ongoing service and maintenance for their infrastructure, equipment and systems. Through outsourcing of non-core activities, our customers can focus on what they do best.

MANAGEMENT TEAM *(from left to right)*
Ian Stock, John Amodeo, Rick Green, Jon Taylor, John Naccarato, Jim Milne

We target customers who operate capital and maintenance intensive facilities in the automotive, steel, commercial and process industries. We also target customers in high-growth markets such as voice and data communication, technology, gaming, and retail where the need for technical capability and ability to perform are recognized and valued.

Our Markets – A Growing Trend to Outsourcing

There are a number of factors driving the significant growth we see in our markets. The internet and the increased use of technology are rapidly accelerating demand for new sophisticated facilities such as call and data centers, and other technologically advanced infrastructure. Other customers are increasingly faced with buildings, facilities and processes that are aging, and they look to Bracknell to help them install and maintain the latest operational and communications technologies. These new systems and state-of-the-art capital equipment are also key to our customers' ability to maintain a competitive edge and reduce costs. However, technological innovations have resulted in these systems becoming highly complex, requiring specialized sets of skills that are often too expensive and too diverse for a customer to maintain in-house. In addition, the growth of sophisticated voice and data systems – the backbone of any business today – demands further technical expertise.

When deciding to outsource their facilities service needs, companies look for a single, large and well-capitalized firm like Bracknell that can meet their needs across North America under long-term strategic relationships. This new business model generates more reliable and predictable recurring income, enhancing the quality of our earnings.

The facilities service industry is highly fragmented, with few companies possessing the financial strength, the critical mass and the geographic operating scale of Bracknell. Such attributes are a competitive advantage in meeting the needs of larger, multi-location customers. This industry fundamental also presents an opportunity for Bracknell to augment internal growth with attractive, accretive acquisitions.

Our Vision – A Blueprint for the Future

Our vision at Bracknell is to become the most recognized and most profitable facilities services provider in North America. We will achieve this vision by building on our collective strengths and executing focused strategies to capitalize on the strong industry fundamentals to enhance shareholder value. Creating shareholder value is the ultimate measure of our success.

Our Growth Strategy – Building on our Strengths

As we enter the new millenium, we have embraced a longer-term business plan built on four strategic pillars that will deliver consistent and improving financial performance;

- First, we will develop a customer-oriented service company. We will look outward to our customers and focus exclusively on meeting their needs. This is a new paradigm for our industry and will require time to perfect the model.
- Second, we will invest in our people with appropriate training and development programs to ensure they possess the skills necessary to achieve our vision, and provide incentives that reward people for their contribution to our success.

- Third, we will continuously improve our productivity to enhance operating margins and maximize return on capital employed. In short, we will do more with less.
- Finally, we will capitalize on the significant growth opportunities existing in our markets by leveraging our existing customer category strengths and core competencies through strategic acquisitions.

Look Ahead – An Exciting Future

Our business plan sets aggressive targets and benchmarks on which our progress and growth will be measured. Specifically, over the next three years, it is our objective to:

- Achieve a minimum annual growth in net operating income of 10%, excluding acquisitions, by improving the underlying performance and productivity of our operations.
- Enhance the quality of our earnings by increasing that portion of our total operating income derived from recurring services to 75%.
- Achieve annualized consolidated EBITDA margins of a minimum of 10%.
- Maintain prudent leverage ratios while achieving a cash return on invested capital of at least 25%.

Focused on Shareholder Value – The Ultimate Measure of Success

Given where we are today, these targets may appear to be aggressive. However, we are confident we have the people and by executing our business plan and building on our four pillars, we will achieve these targets and realize our vision of becoming the most recognized and most profitable facilities services provider in North America.

As a public company, we believe there is only one overriding goal, and that is to generate above-average returns for our shareholders. As such, we are committed to achieving share price performance that ranks among the top in our peer group and within the top quartile of all North American public companies.

To ensure this key objective is at the forefront of all our activities, we have instituted programs that align the interests of everyone at Bracknell with those of all our shareholders. Our Employee Stock Purchase Plan allows every employee to become a stockholder of the Company. In addition, a significant portion of management compensation is tied to the performance of our share price.

Our success in the past has been built on the hard work and entrepreneurial spirit of everyone on the Bracknell team, the loyalty of our customers and suppliers, and the support of our shareholders. Looking ahead, we face both an exciting and a demanding future. We remain confident that we will meet the challenges and capitalize on the opportunities present in this exciting and high-growth business.

PAUL D. MELNUK
President and Chief Executive Officer
January 18, 2000

Re-defining the Facilities Services Business

At Bracknell, we recognize that our customers are changing the way they look at their facilities needs – from how they are managed to how they are maintained. They want suppliers that will provide single-source solutions, supplying a complete range of skills and expertise. They also want to build long-term relationships and partnerships with a facilities services supplier that is familiar with their specific, individual requirements.

To meet this new business paradigm, we are re-shaping Bracknell into a company that is driven exclusively by the needs and requirements of our customers, wherever they are located on the North American continent. We are committed to developing long-term relationships with customers in defined industry categories, becoming partners in the successful installation, operation and maintenance of their facilities, equipment and infrastructure. In essence, we are fundamentally changing the way we conduct our business and re-defining the facilities services business in our markets.

To meet this end, we are building a brand that will be recognized for delivering superior and consistent cost-effective quality service. We are talking to our customers to define their needs, determine what they expect from us, and putting in place the resources necessary to meet those expectations. We are developing a set of customer satisfaction metrics to measure and track our progress and our performance. And we will be rewarding our people based on their ability to meet and exceed these measures, because we recognize that customer service is the essence of our business.

Bracknell's Southwest Systems installed, and currently maintains and supports, the complete operations surveillance system for the Desert Inn in Las Vegas, Nevada. This multi-million dollar contract includes all cameras, monitors, alarms, and dual-redundant software and hardware controls for this well-known casino and resort.

GARY VICCHAIRELLI *(front seated)*
Director of Surveillance, Desert Inn

PETER BURDEN *(standing)*
Sales Manager, Southwest Systems Limited

JAY EGAN *(rear seated)*
Surveillance Operator, Desert Inn

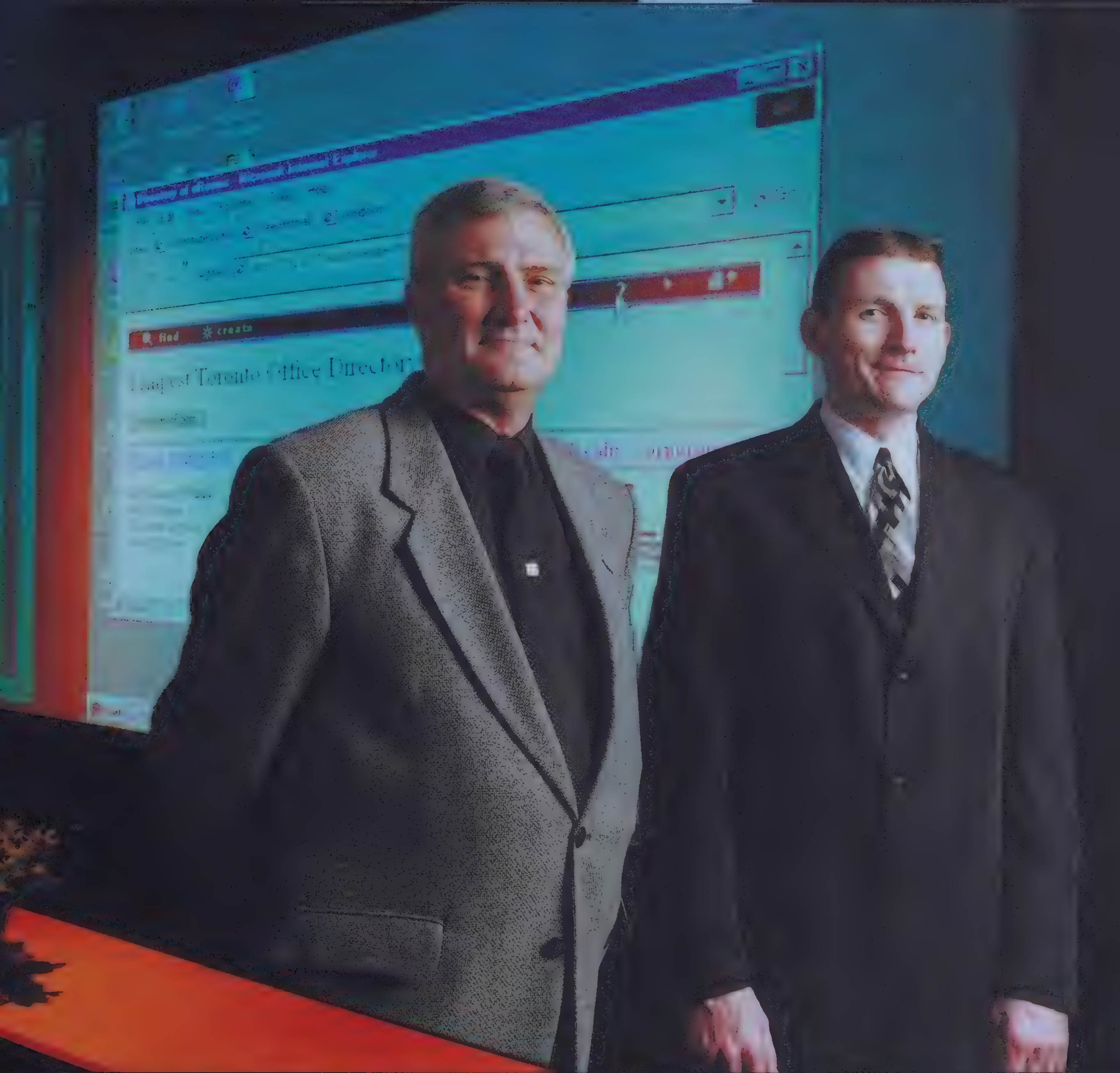
Our People are Bracknell's Most Important Asset

Our vision at Bracknell is to become the most recognized and the most profitable facilities services provider in North America. However, we recognize that only through the collective efforts of everyone on the Bracknell team can this vision become a reality.

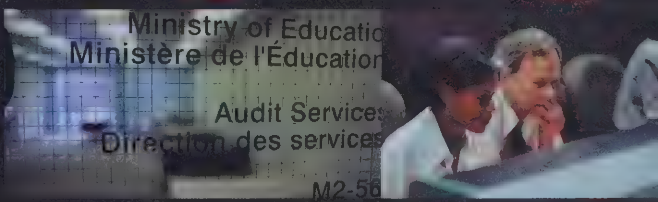
Our core competencies include project management and execution for fast-track, complex new installations and the ongoing operation and maintenance of established facilities. These competencies are supported by specific technical expertise in electrical, mechanical, millwright, rigging, voice and data and a number of other related disciplines. Through their long and successful history, Bracknell's operations have developed significant intellectual capital, and we will lever these skills and expertise to expand within our current markets and to grow into new sectors of the North American market, both geographically and within each customer category.

We will accelerate the investment in our people through training and development programs to ensure we are fully prepared to meet the demanding and complex needs of our customers. We are developing and will soon begin to utilize metrics and measurements that specifically track our customer service performance. We will also ensure that every member of the Bracknell team understands, and is committed to, our vision and values as well as our goals and priorities. We intend to be recognized as a company that provides an opportunity for rewarding careers, with ample opportunity to develop and prosper based on individual and collective efforts.

We are a results and performance driven company. However, by recognizing that our results and performance are directly attributable to our people, our philosophy is to ensure that the people and teams who contribute to the results receive appropriate recognition and reward.



Tempest Management Corporation, a subsidiary of Bracknell's PROFAC Facilities Management Services, is a full range project management firm providing clients advanced facilities management and strategic planning. In its National Operations Centre, Tempest manages projects in a virtual, paperless environment utilizing the internet to approve drawings, plans and other project management functions.



MARTIN HAYNES *(on left)*
VP Tempest Operations

TIM INGHAM *(on right)*
VP Marketing and Business Operations, PROFAC Facilities Management Services Inc.

Productivity Gains Will Drive Performance

While our success will be driven primarily by the skills and expertise of our people, we will also focus our efforts on achieving new levels of productivity and returns on capital employed. By leveraging the economies of scale in our company, investing in the training and development of our people, and seeking out and employing innovative new technologies, we will meet our goal of sustained productivity improvement. Collectively, our people represent enormous depth of industry experience, possessing the drive and creativity to look outside the status quo to deliver higher levels of quality customer service, safely and more cost-effectively. In short, we will accomplish much more with fewer resources, and as a result generate superior returns.

We are instituting a series of key indicators to measure and report on our financial and operational performance, in addition to revamping compensation programs to provide incentives for the achievement of productivity gains.

As the world increasingly turns to the internet as a business tool for internal reporting and decision-making as well as customer relations management, we will develop and execute an e-commerce strategy that dovetails with the needs of our clients. Utilizing the World Wide Web to enhance our effectiveness and to improve the delivery of services to our customers is a natural extension of our intention to create a new customer-oriented service model.

Our goal of continuous improvement will also extend to the financial management of our company as we focus on balance sheet and cash flow improvements to generate enhanced returns for our shareholders, and to strengthen our ability to act on the growth opportunities present in our markets.

The State Group is an integral part of Telus' entry into the eastern Canadian telecommunications market. Pictured is a portion of the fiber optic management system for Telus' main voice, data and internet switch in the Toronto area. State is assisting with additional installations in Ottawa, Montreal and locations in Western Ontario.

MICHAEL GIBSON *(on left)*
Account Executive, The State Group

DAVID GILL *(on right)*
Project Manager, Telus

Growing in Existing and New Markets

The provision of facilities services is an enormous market and spans a number of industrial, commercial and institutional segments. The key to meeting our growth and performance targets is specialization in a distinct number of 'customer categories' to which we can bring specific skills, experience and expertise.

We will focus on specific customer categories in which we currently have an established position and have developed a loyal customer base. Our current areas of emphasis include the automotive, steel, commercial and process sectors. These categories represent an extremely large market potential with customers who operate capital, and therefore maintenance intensive facilities. In addition, many of these customers have multi-location operations and are increasingly receptive to reducing the number of suppliers by developing longer-term partnership arrangements with fewer suppliers. Customers in these categories are finding, through experience, such relationships deliver the most value to them over time. Large, experienced, professional and technically capable service providers such as Bracknell are well placed to serve their needs.

We are also increasing our focus on customers in high-growth sectors such as voice and data telecommunication, technology, gaming, retail and on-call service. Customers in these categories are faced with extraordinary pressure to expand and maintain infrastructure within ever more condensed time frames. Therefore, they look for quality service providers who have the capability to service what is becoming the norm – 'flash track' installation or maintenance needs reliably and consistently in whatever geographic area they require.

We will also capitalize on the highly fragmented nature of our industry. We will seek out and prudently complete accretive acquisitions and other partnerships that enhance our core competencies and extend our North American presence into new markets and geographic regions.

Working closely with its customer, The State Group wrote the functional requirements and generated all software control programs operating the new Ajax Water Supply Plant. Utilizing open systems architecture and an Oracle database for historical capture, the system operates 168 controllable devices in 31 distinct process areas. The Ajax WSP is one of three plants and nine pumping stations controlled centrally from this plant.

BRUNO WUNDERLICH *(left)*
Project Planner – Automation Division, The State Group

FRED WEBSTER *(right)*
Supervisor of Plant Information Systems, Regional Municipality of Durham

Bracknell Corporation's consolidated financial statements represent all of the Company's facilities services businesses, combining its electrical, mechanical and other technical services business and its facilities management business. Management's discussion and analysis (MD&A) will include a review of the principal operating groups of Bracknell. This MD&A is presented in four parts; Results of Operations, Liquidity, Business Outlook, and Risks and Uncertainties, and should be read in conjunction with the audited consolidated financial statements and accompanying notes contained on pages 20 to 31 of this Annual Report.

The Company changed certain of its financial reporting to improve the communication and understanding of its ongoing business activities. We have chosen to change our reporting currency to the U.S. dollar to reflect the fact that a greater portion of our business operations will be conducted in the United States. We have also changed our revenue recognition policy from a labour-based percentage of completion method to a more widely accepted method of total cost based percentage of completion. The impact of this change on current year earnings is not significant. Bracknell has also adopted the disclosure changes recommended by the Canadian Institute of Chartered Accountants for the presentation of goodwill charges below net earnings. Prior periods have been restated for the changes in accounting policy and comparative presentation.

Following are certain financial highlights:

(in millions of U.S. dollars, except per share amounts)	**1999**	1998
Revenues	**$ 316.4**	$ 295.9
Operating earnings (1)	**12.8**	8.5
Operating earnings per share (1) (2)	**0.25**	0.17
Operating margin	**4.0%**	2.9%
Return on invested capital (3)	**12.8%**	14.7%
Invested capital (4)	**$ 55.5**	$ 31.8
Outstanding shares (5)		
Basic	**27,003**	26,323
Fully diluted	**29,102**	27,410

(1) Earnings before interest, taxes, restructuring and other charges and goodwill charges. Restructuring and other charges in 1999 were $7.6 million (1998 – nil).

(2) Tax effected at the statutory rate of 44.5% (1998 – 44.5%).

(3) After-tax operating earnings, divided by average invested capital.

(4) Weighted average total shareholders' equity and long-term debt (excluding non-recourse LibanPost debt) less net cash.

(5) Weighted average number of shares.

A significant event for Bracknell in fiscal 1999 was the acquisition of Nationwide Electric, Inc. on September 30, 1999. The acquisition doubles Brackell's size and accelerates growth by extending the core business to new U.S. markets and customers. With operations in 15 states, Nationwide's operations have built a distinct competitive advantage by focusing on higher margin design-build and value-added specialty electrical services that increases, the proportion of recurring revenues.

The acquisition was financed with $45.6 million in cash and $31.1 million in common and preferred shares. As a result of this transaction, Bracknell now has more than 50% of its ongoing electrical and mechanical business in the U.S. and is firmly positioned to continue to grow in this marketplace.

Revenue for 1999 was $316.4 million, an increase of 7% from $295.9 million in 1998. The change in revenue is due to the inclusion of one month of operations of Nationwide Electric, Inc. ($21.9 million), four months of operations of Preferred Electric, Inc. ($5.5 million) and increases in scope of our existing facilities management contracts ($0.7 million) offset by the focus on higher margin projects and the completion in 1998 of several large non-recurring projects in our base business ($7.6 million). In 1999, revenues earned in the U.S. increased to $86.9 million, an increase of $45.2 million, or 108% with the acquisitions of Nationwide and Preferred, as well as the growth of Bracknell's base business in Indiana and Michigan. Revenues earned outside Canada and United States declined to $5.3 million as a result of the completion in 1998 of a significant non-recurring project and is consistent with the Company's strategy to focus within North America.

Operating earnings (excluding restructuring and other charges) increased 51% to $12.8 million from $8.5 million in 1998. Excluding the acquisitions of Nationwide and Preferred, operating earnings were $10.9 million, a 28% increase from 1998. As a percentage of revenue, the operating margin was 4.0% compared to 2.9% in 1998, an increase of 38%. Both measures are the result of the Company's focus on improving the underlying financial performance of its operations and the quality of its earnings by targeting higher margin value-added services for customers.

Selling, general and administrative expenses were $27.3 million in 1999 compared to $23.6 million in 1998. The consolidation of our two acquisitions added $3.3 million in selling, general and administrative expenses for the post-acquisition period. Excluding these acquisitions, the year-over-year increase was $345,000 or 1.5%.

The senior executive team of Bracknell underwent significant change during 1999. The establishment of a new leadership team resulted in the vacancy of certain positions for a portion of the year, which contributed to the reduction of $1.0 million in corporate selling, general and administrative expense. Excluding this savings, selling, general and administrative expense in our base operating business increased $1.4 million, or 7.1% reflecting an expanded operating team in our facilities management business, additional Year 2000 costs and general salary increases.

The restructuring and other charges of $7.6 million (1998 – nil) relates to the retirement of former executives at Bracknell, management changes at subsidiary, The State Group, and the settlement of a long outstanding claim dating back to 1994.

Bracknell holds two long-term investments – AOC Brown & Root Canada Limited and Tempest Management Corporation – which are

accounted under the equity method. The decline in income of $234,000 is due primarily to the year-over-year reduction in AOC Brown & Root Canada's earnings from operations at the Hibernia and Terra Nova offshore platforms. During 1998, cost based investments of $130,000 were written-off.

In the future, Bracknell's strategy will be to invest in operations that we control. We will look to acquire the remaining interest in operations where we foresee value and divest ourselves of investments where we do not.

Interest and Other Income

Non-operating income decreased to $1.5 million from $4.4 million in 1998 due to significant one-time items received in the prior year. In 1999, net interest income of $428,000 (1998 - $430,000) was earned from cash invested during the year less interest expense incurred on long-term debt related to the Nationwide acquisition. The balance of the non-operating income in 1999 includes gains on foreign currency translation and miscellaneous other gains and losses. In 1998, Bracknell received interest of $1.3 million on the settlement of an income tax reassessment; $961,000 related to the settlement of the Pearson Airport dispute, and $1.7 million in foreign exchange translation gains.

Provision for Income Tax

The reduction in the 1999 effective income tax rate to 35.4% (1998 – 41.7%) is principally due to the recognition of previously available but unrecognized, loss carryforwards of $2.6 million in 1998, from our U.S. operations. The valuation allowance against these losses was reversed in 1999 as the operations became profitable and are expected to continue to be profitable.

Electrical, Mechanical
Technical Servi

Our electrical, mechanical and other technical services business is comprised of the 100% consolidation of each of The State Group Limited, Nationwide Electric, Inc., Preferred Electric. Inc. and Bracknell Telecommunication Services Inc., and the 50% proportionate consolidation of National-State Construction Group Inc. to the date of sale of Bracknell's equity interest on September 30, 1999. Bracknell purchased Nationwide Electric on September 30, 1999 and Preferred Electric on June 30, 1999. The Statement of Net Earnings includes the consolidated amounts for the period that the acquired or divested companies were owned during the year.

(in millions of U.S. dollars, except per share amounts)	**1999**	1998
Revenues	**$ 293.1**	$ 273.4
Operating earnings (1)	**13.7**	10.4
Operating margin	**4.7%**	3.8%
Return on invested capital (2)	**14.6%**	19.2%
Invested capital (3)	**$ 52.3**	$ 30.1

(1) Earnings before interest, taxes, restructuring and other charges and goodwill charges. Excludes restructuring and other charges in 1999 of $4.0 million (1998 – nil).

(2) After-tax operating earnings (tax effected at the statutory rate of 44.5%) divided by average invested capital.

(3) Weighted average total shareholders' equity and long-term debt less net cash.

Electrical, mechanical and other technical services are provided to a diverse base of commercial, industrial, institutional and public sector customers and range from long-term and on-call maintenance services to multi-trade, multi-year installation projects.

In 1999, we continued to build on our base of long-term preferred customer relationships, particularly in the automotive and steel industries, and further expanded in the Mid Western U.S. We accelerated this expansion with the acquisition of Preferred Electric, Inc. on June 30, 1999. Preferred Electric is a Chicago-based electrical services company built on 25 years of consistent quality customer service and specializing in the design-build sector of the commercial market segment. During 1999, the Company was also awarded a $50 million contract to supply and install the electrical and communications systems for the new Northwest Airlines terminal at the Detroit Airport.

Total revenues increased by 7.2% in 1999. The acquisitions of Nationwide Electric and Preferred Electric accounted for all of the increase in revenues offset in part by the focus on higher margin business and the completion in 1998 of several large non-recurring projects.

Operating earnings increased by $3.3 million or 32% in 1999 to $13.7 million. Excluding the contributions of our two acquisitions of $1.9 million, our base business contributed an additional $1.4 million, a 14% increase over the same period in 1998. The improved results from the U.S. division were the primary reason for the increase in the base business.

Selling, general and administrative expenses for 1999 increased to $22.6 million from $18.2 million in 1998, an increase of $4.4 million, or 24%. The acquisition of Nationwide and Preferred contributed $3.3 million to this increase. Our base business increased 6% or $1.1 million due to Year 2000 costs, the start-up of Bracknell Telecommunication Services Inc., and general salary increases.

The State Group has a strong presence in complex industrial facilities such as automotive and steel plants where the Company provides a variety of outsourcing services for customers' operations. The Cablecom Network Services division is a national supplier of cabling and physical network connectivity services. Building on a core competency of cabling design and installation, Cablecom has expanded into desktop, router and intelligent network switching product installation, and cable management services. Through its branches and network of authorized service affiliates across Canada, Cablecom offers a single point of contact for customers' multi-site cabling installation requirements.

Nationwide Electric provides electrical installation, maintenance and repair services to customers in the telecommunications, technology, energy, gaming and casino, automotive and commercial markets in 15 states. Virtually all of the Company's revenues come from the electrical segment of the facilities services industry and can be further broken into five broad categories. Maintenance and repair services (11%) are supplied on a long-term and on-call basis. Such serv-

ices generally provide recurring revenues and stable levels of profit margins independent of construction activity. Specialized and value-added services (16%) include design, engineering and installation of data cabling, switching systems for computer networks, fiber optic cabling and other telecommunications and technology services. These differentiate our services from our competitors and offer higher margins than lower valued electrical services. Design, installation, renovation and retrofit services (49%) are provided as a total service offering and return greater margins than the more competitive bid-to-specification ("bid-to-spec") work. Bid-to-spec (24%) is generally more competitive and is often performed under fixed price contracts for specified installation work. The Company participates in such projects where it believes it has a competitive advantage and/or where the involvement may lead to longer-term recurring maintenance or specialized value-added services.

Bracknell Telecommunication Services Inc. (BTS) is a new operation formed to focus on the telecommunications customer category. Specifically, BTS is concentrating on servicing the design, build, commission and maintenance of wireless telecommunication infrastructure sites. In addition, BTS will lead the Company's services in the design, installation and maintenance of critical use facilities (e.g., telephone switch sites) for the industry. Finally, BTS will lead the Company's services in the installation, management and maintenance of in-building, voice and data network systems and infrastructure.

Revenues related to these areas of activity are included in the other operating entities. All direct costs of BTS have been expensed and included in selling, general and administrative expenses.

ıcilities Management Services

Bracknell's facilities management services business in Canada is provided through PROFAC Facilities Management Services Inc. (50% proportionately consolidated). In 1998, PROFAC Management Group and CSL Infrastructure Management Inc. were amalgamated into one company, PROFAC Management Group Limited and in 1999, the Company changed its name to PROFAC Facilities Management Services Inc.

(in millions of U.S. dollars, except per share amounts)	**1999**	1998
Revenues		
Facilities management	**$ 23.3**	$ 22.6
Operating earnings	**1.5**	1.7
Operating margin	**6.2%**	7.7%
Return on invested capital (1)	**25.7%**	54.2%
Invested capital (2)	**$ 3.1**	$ 1.8

(1) After-tax operating earnings (tax effected at the statutory rate of 44.5%), divided by average invested capital

(2) Weighted average total shareholders' equity and long-term debt (excluding investment in LibanPost) less net cash.

Facilities management is the provision of building operation and maintenance, project and space management and technical and other real estate services to third party customers under multi-year contracts. Most of the Company's services are provided to owner-occupiers who own and lease large portfolios of geographically dispersed properties. PROFAC is limited by its shareholder agreement to the Canadian market. Bracknell will pursue facilities management outside of Canada directly.

Revenues

Revenues for the year ended October 31, 1999 increased by 3% to $23.3 million from $22.6 million in 1998. This increase is due primarily to internal growth associated with existing customers.

Operating Earnings

Operating earnings decreased $288,000 to $1.5 million in 1999 primarily due to additional selling, general and administrative costs incurred in connection with anticipated growth in the business related to new facilities management mandates that will commence in fiscal 2000.

Selling, General and Administrative Expense

Selling, general and administrative expenses increased to $2.4 million in 1999 from $2.0 million in 1998. The added expenses are primarily due to an expanded senior operating team, the implementation of a new information system, and ramp-up and proposal costs for new facilities management mandates in fiscal 2000.

In mid 1999, PROFAC was awarded a 5-year contract totaling $442.5 million to manage the Ontario government's facilities in the greater Toronto area and Southwest Ontario. The contract is the largest facilities management-outsourcing mandate in Canadian history covering 31 million square feet within approximately 2,200 facilities. This mandate is expected to contribute over $40 million in gross revenues to Bracknell in fiscal 2000. On November 15, 1999, PROFAC signed a memorandum of understanding to acquire Bell Canada's Nexacor Realty Management Inc. The related 10-year facilities management contract is expected to begin effective February 1, 2000 and increase 2000 revenues to Bracknell by $40 million. The contract provides for the management of approximately 3,200 Bell Canada facilities covering 82 million square feet across Ontario and Quebec.

The structure of facilities management services contracts varies with the specific services provided to the customer. In some instances, contracts are based on a "fixed fee" for services. In others, the Company assumes performance risk by virtue of guaranteed cost levels. In still others, there may be both a fixed fee and a shared success component to the Company's compensation. Under fixed fee contracts, the revenue reported is the amount of the fee. Under fixed price guaranteed contracts, revenues include the value of all services provided to the customer either directly or indirectly through other suppliers or sub-contractors.

In 1998, PROFAC signed a contract with the Republic of Lebanon to provide postal services on a 12-year concession basis. This contract provides for PROFAC and its joint venture partner, Canada Post Corporation, to reconstruct and manage the postal system in the Republic of Lebanon. The Company was in the start-up phase of this project during fiscal 1999 and expects to begin reporting on the results from postal operations January 1, 2000. During 1999, Bracknell deferred $3.8 million in start-up costs related to our 50% interest in LibanPost.

Liquidity

As our business is primarily providing services, the amount of capital necessary to sustain operations, relative to other businesses, is low and, therefore, there is the potential to generate cash flow from

operations in excess of our capital re-investment requirements. As a result, one of our longer-term objectives is to earn an unlevered, after-tax cash return on our total invested capital in excess of 25%. Achievement of this target will provide us with free cash flow to continue to expand our base business and capitalize on acquisition opportunities.

Cash Flow

Cash flow from operating activities decreased from $10.5 million in 1998 to $8.3 million in the current year, a decrease of $2.2 million. Excluding one-time non-operating items of $4.3 million, cash flow from operations in 1999 was $10.3 million as compared to $8.2 million in 1998, a year-over-year increase of $2.1 million or 26%. The non-operating items which impacted cash flow from operations in 1998 included a one-time interest income receipt of $1.3 million received on an income tax settlement and a $1.0 receipt from the Pearson Airport settlement. In 1999, we funded $2.0 million of the restructuring and other charges. During 1999, the increase in business activity, higher margins from our base business, and an overall reduction in working capital contributed to the change in cash flow.

Financing Activities

As of October 31, 1999, Nationwide had a $40 million credit facility maturing on December 1, 2000, which was comprised of a $25.0 million revolving credit facility and a $15.0 million term facility. At October 31, 1999, $19.9 million had been drawn under the revolving credit facility at an interest rate of 7.16%. At October 31, 1999, $15.0 million had been drawn under the term facility at an interest rate of 7.18%. Subsequent to year-end, the entire credit facility was repaid with funds advanced from the new credit facility described below.

To finance the acquisition of Nationwide, the Company borrowed $25.0 million against a proposed credit facility. Subsequent to year-end, the Company finalized a $192.5 million credit facility with a syndicate of banks maturing on October 31, 2004, which is comprised of the following:

	1999	**Utilized at October 31 1999**
Canadian Term Commitment	$ 25,000	**$ 25,000**
U.S. Term Commitment	15,000	**15,000**
Canadian Operating Commitment	12,500	**–***
U.S. Operating Commitment	25,000	**19,935**
Acquisition Commitment	115,000	**–**
	$ 192,500	**$ 59,935**

*No actual cash drawn on this facility although letters of credit totaling $4.4 million were issued and outstanding.

The unused portion of this acquisition facility will be cancelled on April 30, 2000. Borrowings under this facility currently bear interest at LIBOR plus 2.0% or PRIME plus 1.0%, however can vary between 1.5% to 2.5% for LIBOR or 0.5% to 1.5% for PRIME based on the Company's ratio of total net debt to consolidated earnings before interest, taxes, depreciation and amortization.

Fees associated with this credit facility of approximately $2.3 million have been deferred and will be amortized over the term of the debt. Amounts drawn against the term and acquisition facilities do not require any principal repayments prior to January 31, 2001. Otherwise, repayments are due ratably in quarterly installments at the rate of 5% for the 12 quarters following January 31, 2001, increasing to 10% for the remaining four quarters.

The acquisition facilities may be used exclusively to finance acquisitions permitted under the credit agreement. The operating facilities may be used only for general corporate purposes and not for acquisitions.

The overall credit facility is secured by all assets of the Company, including the pledges of all shares of the Company's subsidiaries, which guarantee the repayment of all amounts due under the facility and the facility restricts pledges of all material assets. The credit facility requires compliance with usual and customary covenants for a credit facility of this nature including the limitation on the payment of dividends on common shares and the consent of the lenders for acquisitions that do not satisfy specified criteria and financial covenants.

At October 31, 1999, Bracknell had net bank indebtedness of $14.8 million compared to $25.4 million in cash net of bank indebtedness in 1998. The reduction in cash is due to the acquisitions of Nationwide Electric and Preferred Electric.

In the first quarter of 1999, non-recourse financing of $5.0 million was obtained to satisfy the balance of Bracknell's investment in LibanPost. PROFAC's shares in LibanPost related to Bracknell's share of the investment are pledged as collateral for the loan. LibanPost has an agreement with a Lebanese bank to maintain a minimum cash balance of $5.6 million for a period of three years from October 21, 1998 to support the issuance of a bank guarantee. The guarantee was issued to the Lebanese Ministry of Post and Telecommunications in support of performance obligations under the contract, and the Company's portion of $2.8 million is classified as restricted cash in the financial statements.

During 1998, Bracknell agreed to commit $5.0 million to the Lebanese Postal Project which was fully advanced at October 31, 1999. The Company does not anticipate further cash requirements for the project.

Business Outlook

The facilities management and facilities services industry is a large North American market estimated to be in excess of $275 billion annually in the U.S., with a large number of companies competing in the sector. However, there are relatively few companies that have the size, technical capability and management depth to compete on a North American-wide basis.

The Company currently has only a very small fraction of the total market although, on an annualized revenue basis, we estimate the Company would be among the top 10 specialized facilities services companies in North America.

The outlook for this market in fiscal 2000 is for continuing modest growth over 1999 levels. However, certain sectors of the economy such as technology, telecommunications and various industrial sectors are growing at much higher rates and this is increasing the demand for infrastructure installation and maintenance services in these sectors.

In addition, there is an increasing trend of businesses to consider the

outsourcing of their facilities management, operations and maintenance needs. As a result, there is the potential for higher rates of growth in this sector. Bracknell currently anticipates benefiting from this trend by virtue of the additional facilities management mandates that were awarded in late 1999 and as a result of the potential for additional mandates from current and future proposal activity.

Based upon current contracts in place, reasonable prospects to secure additional contracts and the current levels of proposal activity, particularly in the U.S., the Company anticipates revenues in fiscal 2000 to increase over the annualized levels of 1999.

The Company's business plan includes strategies and initiatives designed to improve the underlying performance of the Company's operations and to improve the quality of earnings. Specifically, the Company is looking to reduce its dependence on the competitive bid-spec market from approximately 45% to approximately 25% of revenues. The Company intends to achieve this over the next several years by improving the level of customer service to increase the amount of repeat, negotiated business, increasing the proportion of value-added services such as design-build and specialty and on-call, multi-trade services and by increasing the proportion of recurring contractual facilities management and maintenance service.

Initiatives to improve the productivity of the operations include additional training and development of employees, national procurement programs, increased information and analysis for decision-making, additional measurement of customer and employee satisfaction and greater use of technology, including e-commerce, to improve the level of service at lower costs. In addition, the Company will seek to increase returns on capital by improving its investment in working capital with increased accountability and measurement.

The Company completed two acquisitions in 1999 and is continuing to evaluate opportunities for additional acquisitions in 2000 and beyond that meet the Company's strict strategic, operational and financial criteria. The Company has access to the financial resources to complete acquisitions that meet its criteria.

Risks and Uncertainties

A significant portion of Bracknell's revenue is currently derived from fixed price contracts. Since these are subject to competitive bidding, there is no assurance that Bracknell will be successful in obtaining future contracts. Although the Company makes every effort to estimate costs accurately in bidding for contracts, Bracknell may experience losses on such projects.

Disputes with customers or owners with respect to additional payments owing as a result of delays or changes in contract specifications may negatively affect net income. These disputes arise in the normal course of business and are recorded, when realization is probable and can be reasonably estimated, at the lesser or net realizable value or costs incurred.

Bracknell is often required to post performance and payment bonds that guarantee payment for labour, material and services in respect of certain projects. Under the terms of these performance bonds, the issuer of the bonds would have recourse to Bracknell or its subsidiaries in the event of default.

Year 2000 Readiness

Impact of Year 2000 Transition

The main priorities of the Corporation's Year 2000 readiness program have been (a) to ensure that the Corporation's critical computer systems (in particular, internal business accounting and business systems) are in compliance to properly handle the transition to the Year 2000; (b) to ascertain the status of the Corporation's vendors, suppliers, customers and partners as to readiness for transition to the Year 2000; and (c) to prepare and implement an action plan to minimize exposure to Year 2000 transition risks. The Corporation effectively completed its program by November, 1999.

Upon identification of equipment and software that was non-compliant, the Company undertook corrective actions which included replacement of non-compliant systems such as management information and accounting systems and certain of the Company's data systems.

Since January 1, 2000, the Corporation and all of its subsidiaries have undertaken an assessment of all business-critical computer systems, and there have not been any reported material deficiencies relating to the Year 2000 transition. All ancillary internal computer systems are also being assessed and there have not been any reported material deficiencies relating to Year 2000 transition. Because of the nature of the Year 2000 issue, it is not possible to be 100-percent certain that all potential problems have been corrected.

To date, the Corporation has not received any formal complaints relating to the failure of the Corporation's products or service offerings to transition into the Year 2000, nor is the Corporation aware of any facts or circumstances that could reasonably be expected to give rise to any such complaints. The Corporation's position on product and service warranties relating to Year 2000 transition failures is to assess any claims in connection with the warranties provided.

The Corporation's consolidated aggregate expenditures in response to the Year 2000 transition has been approximately $2.5 million, of which $1.2 million has been capitalized and will be expensed over five years. The balance of $1.3 million has been expensed in the 1998 and 1999 fiscal years. It is expected that consolidated expenditures with respect to the Year 2000 transition will not be material for the fiscal 2000 period.

Auditors' Report

To the Shareholders of Bracknell Corporation:

We have audited the consolidated balance sheets of BRACKNELL CORPORATION (the "Company") as at October 31, 1999 and 1998 and the consolidated statements of net earnings, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Arthur Andersen LLP

ARTHUR ANDERSEN LLP
December 10, 1999
Toronto, Canada.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Bracknell Corporation and all the information in this Annual Report are the responsibility of Management. The financial statements have been prepared by Management in accordance with generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information used elsewhere in the Annual Report and has ensured that it is consistent with that in the consolidated financial statements.

Management maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial information is reliable and accurate, and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board and is comprised of independent Directors. The Audit Committee meets periodically with management, as well as the external auditors, to review Bracknell's reported financial performance and to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is properly discharging its responsibilities. The consolidated financial statements were reviewed by the Audit Committee and approved by the Board of Directors.

The consolidated financial statements have been audited by Arthur Andersen LLP, the external auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. The external auditors have full and free access to the Audit Committee.

PAUL D. MELNUK
President and Chief Executive Officer

JOHN D. AMODEO
Executive Vice President & Chief Financial Officer

Consolidated Balance Sheets

October 31, 1999 and 1998

(in thousands of U.S. dollars)	**1999**	1998
CURRENT ASSETS		
Cash and cash equivalents	**$ 5,093**	$ 25,748
Contract and accounts receivables (Note 4)	**128,390**	65,281
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 5)	**26,022**	27,400
Inventory	**666**	562
Prepaid expenses and other assets	**5,474**	2,187
Deferred income taxes (Note 12)	**786**	–
Income taxes receivable	**–**	1,316
Total current assets	**166,431**	122,494
Capital assets (Note 6)	**11,249**	3,355
Deferred income taxes (Note 12)	**1,514**	1,804
Other assets, net (Note 7)	**14,325**	3,730
Goodwill, net	**78,174**	2,261
Total assets	**$ 271,693**	$ 133,644
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Borrowings under revolving credit facilities (Note 10)	**$ 19,935**	$ 343
Current portion of long-term debt (Note 11)	**840**	–
Accounts payable and other accrued liabilities	**77,927**	45,663
Billings in excess of cost and estimated earnings on uncomplete contracts (Note 5)	**24,765**	16,732
Income taxes payable	**5,042**	4,003
Deferred income taxes (Note 12)	**–**	7,846
Total current liabilities	**128,509**	74,587
Long-term debt (Notes 10 and 11)	**45,958**	–
Other long-term liabilities	**1,747**	457
Commitments and contingencies (Note 20)		
Total liabilities	**176,214**	75,044
SHAREHOLDERS' EQUITY		
Common shares (Note 15)	**53,235**	27,233
Preferred shares (Note 15)	**5,412**	–
Warrants (Note 15)	**229**	–
Retained earnings	**35,158**	31,367
Cumulative translation adjustment	**1,445**	–
Total shareholders' equity	**95,479**	58,600
Total liabilities and shareholders' equity	**$ 271,693**	$ 133,644

The accompanying notes are an integral part of these consolidated balance sheets.

Approved on behalf of the Board:

GILBERT S. BENNETT
Chairman of the Board

ALLAN R. TWA
Chairman of the Audit Committee

Consolidated Statements of Net Earnings

For the years ended October 31, 1999 and 1998

(in thousands of U.S. dollars, except per share amounts)	**1999**	1998
Revenues	**$ 316,447**	$ 295,926
Cost of services	**274,328**	262,423
Gross margin	**42,119**	33,503
Selling, general and administrative expenses	**27,263**	23,612
Earnings before interest, taxes, depreciation, amortization and restructuring	**14,856**	9,891
Depreciation and amortization	**2,092**	1,430
Restructuring and other charges (Note 18)	**7,609**	–
Earnings from operations	**5,155**	8,461
Income from long-term investments	**60**	294
Interest and other income (Note 13)	**1,498**	4,379
Earnings before provision for income taxes and goodwill charges	**6,713**	13,134
Provision for income taxes	**2,379**	5,471
Earnings before goodwill charges	**4,334**	7,663
Goodwill charges, net of $89 tax (1998 – nil)	**543**	288
Net earnings	**$ 3,791**	$ 7,375
Earnings before goodwill charges per share		
Basic	**$ 0.16**	$ 0.29
Fully diluted	**$ 0.16**	$ 0.28
Net earnings per share		
Basic	**$ 0.14**	$ 0.28
Fully diluted	**$ 0.14**	$ 0.27

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Retained Earnings

For the years ended October 31, 1999 and 1998

(in thousands of U.S. dollars)	**1999**	1998
Retained earnings, beginning of year	**$ 31,367**	$ 24,024
Effect of retroactive application of a change in accounting method (Note 2)	**–**	(32)
Retained earnings, as restated	**31,367**	23,992
Net earnings	**3,791**	7,375
Retained earnings, end of year	**$ 35,158**	$ 31,367

The accompanying notes are an integral part of these consolidated statements.

Consolidated Statements of Cash Flows

For the years ended October 31, 1999 and 1998

(in thousands of U.S. dollars)	**1999**	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	**$ 3,791**	$ 7,375
Items not affecting cash		
Depreciation and amortization	**2,092**	1,430
Goodwill charges	**632**	288
Provision for deferred income taxes	**(7,212)**	2,501
Gain on sale of capital assets	**(58)**	–
Income from long-term investments	**(60)**	(295)
Amortization of lease inducement	**(67)**	(65)
	(882)	11,234
Changes in operating assets and liabilities, excluding assets acquired and liabilities assumed in acquisitions	**9,226**	(741)
	8,344	10,493
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Nationwide, including assumed debt of $14,375	**(61,859)**	–
Purchase of Preferred, net of cash of $349	**(5,553)**	–
Purchases of capital assets	**(2,900)**	(1,681)
Long-term investments and acquisitions	**(1,461)**	(691)
Deferred start-up costs	**(3,828)**	(1,336)
Other	**166**	(126)
	(75,435)	(3,834)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under term facilities	**30,646**	–
Financing costs	**(2,284)**	–
Proceeds from the issuance of common stock	**325**	176
Restricted cash	**(848)**	(1,982)
Repayment of term facility	**(995)**	–
	26,844	(1,806)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (borrowings)	**(40,247)**	4,853
NET CASH AND CASH EQUIVALENTS (borrowings), beginning of period	**25,405**	20,552
NET CASH AND CASH EQUIVALENTS (borrowings), end of period	**$ (14,842)**	$ 25,405
CASH PAYMENT FOR:		
Interest	**$ 232**	$ 392
Income taxes	**8,145**	1,392
NON-CASH FINANCING TRANSACTION		
Capital lease obligations	**$ 780**	$ –

The accompanying notes are an integral part of these consolidated statements.

1. Business and Organization

Bracknell Corporation, a corporation continued under the laws of Ontario, is a leading North American facilities services company that provides a broad range of essential technical and management services to ensure that buildings, plant and equipment operate effectively. Bracknell serves customers in the automotive, steel, technology, telecommunications, commercial, energy and pulp and paper sectors in Canada, the U.S. and abroad.

Bracknell principally conducts its business through two 100% owned subsidiary companies, The State Group Limited and Nationwide Electric, Inc. and through its 50% owned investment in PROFAC Facilities Management Services Inc.

2. Summary of Significant Accounting Policies

Generally Accepted Accounting Principles

These consolidated statements have been prepared in accordance with Canadian generally accepted accounting principles.

Basis of Presentation

The consolidated financial statements presented herein include the accounts of the Company and wholly-owned subsidiaries acquired in business combinations accounted for under the purchase method from their respective acquisition dates. All significant inter-company transactions and accounts have been eliminated. The Company uses the equity method of accounting for companies where it exercises significant influence but in which less than a controlling interest is held. The Company has reported its 50% investment in PROFAC Management Group Inc. and National-State Construction Group Inc. (which was sold during 1999 – see Note 3) using the proportionate consolidation method. Certain reclassifications have been made to the prior year consolidated financial statements to conform with the basis of presentation used in 1999.

Change in Reporting Currency

The Company has historically prepared and filed its consolidated financial statements in Canadian dollars. During fiscal 1999, the Company adopted the U.S. dollar as its reporting currency for presentation of its consolidated financial statements. With the recent acquisitions of Preferred and Nationwide and the future growth prospects in the United States, a significant portion of the Company's net earnings will be earned by its U.S. operations. Historical consolidated results have been restated using a translation of convenience, whereby all historical results have been reflected using the exchange rate in effect on October 31, 1998 of $1 USD to $1.5429 CDN. Because of the strengthening of the Canadian dollar and Bracknell's significant amount of Canadian dollar assets prior to the Nationwide acquisition, the change in reporting currency resulted in the Company recognizing a $1,000 foreign exchange gain in 1999.

Bracknell's subsidiary operations in Canada are of a self-sustaining nature. Cumulative gains or losses arising from the translation of the assets and liabilities of these Canadian operations are recorded as a separate component of shareholders' equity.

Change in Accounting Method

In 1999, the Company determined that it would change the method by which income is recorded on major fixed price contracts. Previously, the Company used a labour based percentage-of-completion method, whereas it now applies the percentage-of-completion method measured by the ratio of contract costs incurred to date to estimated total contract costs for each contract. The change was made to allow for consistent presentation of all Bracknell subsidiaries, given the recent acquisitions of Preferred and Nationwide. The effect of this change decreased net earnings by $52 and $78 in 1999 and 1998 respectively, and by $32 for all years prior to 1998, and has been applied retroactively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are securities held for cash management purposes having maturities of three months or less from the date of purchase.

Financial Instruments

The carrying value of short-term investments approximates their fair value as determined by market quotes. All significant debt obligations carry variable interest rates or interest rates that approximate market and their carrying value is considered to approximate fair value. The carrying value of receivables and other amounts arising out of normal contract activities, including retentions, which may be settled beyond one year, is estimated to approximate fair value.

Inventory

Inventory is valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Routine repairs and maintenance are expensed as incurred; improvements are capitalized at cost and are amortized over the remaining useful life of the related asset. Depreciation is recorded using straight-line methods over the estimated useful lives of the related assets which are as follows:

Buildings	20 years
Leasehold improvements	Term of lease
Machinery and equipment	3 – 7 years

Goodwill represents the excess of the purchase price paid over the fair value of net tangible assets acquired and is amortized on a straight-line basis over 10 to 20 years. Goodwill is written down when there has been a permanent impairment in the value of unamortized goodwill. A permanent impairment in goodwill is determined by comparison of the carrying value of unamortized goodwill with undiscounted future earnings of the related business.

The Company presents goodwill amortization expense and goodwill impairment charges (collectively referred to as "goodwill charges") on a net-of-tax basis.

Contract Accounting

Contracts-in-progress are stated at the lower of actual cost incurred plus accrued profits or net estimated realizable value of incurred costs, reduced by progress billings. The Company records income from major fixed price contracts under the percentage-of-completion method measured by the ratio of contract costs incurred to date to estimated total contract costs for each contract. Contract costs include all direct material and labour costs and those indirect costs related to contract performance such as indirect labour, supplies and tools. Selling, general and administrative costs are charged to expense as incurred. Costs for material incurred at the inception of a project which are not reflective of effort are excluded from costs incurred for purposes of determining revenue recognition and profits. The performance of such contracts requires periodic review and revision of estimated final contract prices and costs. Effects of these revisions are included in the periods in which the revisions are made. Losses on contracts are recognized when they become evident.

Disputes arise in the normal course of the Company's business on projects where the Company contests with customers or owners for additional funds because of events such as delays or changes in contract specifications. Such disputes, whether claims or unapproved changes in process of negotiation, are recorded at the lesser of their estimated net realizable value or actual costs incurred and only when realization is probable and can be reliably estimated. Claims against the Company are recognized when loss is considered probable and reasonably determinable in amount. Income from time and materials and maintenance-type contracts is recognized when billed.

The Company makes investment in various business ventures in which arrangements are made with participants in projects where the Company provides bonding guarantees and cash advances for a share of the participants' project income. Income obtained from such activities is recognized in the consolidated statement of net earnings based on the percentage of completion of the related project.

Income Taxes

The Company previously used the deferral method to account for income taxes, but in 1999 adopted the liability method to account for income taxes. Under this method, income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to certain income and expenses recognized in different periods for financial and income tax reporting purposes. Deferred tax assets and liabilities represent the future tax consequences of those differences. Deferred taxes are also recognized for operating losses and tax credits that are available to offset future taxable income and income taxes, respectively. A valuation allowance is provided if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The change in accounting policy had no effect on reported balances in the current or prior periods.

Foreign Currency Translation

Monetary assets and liabilities within Bracknell which are denominated in currencies other than U.S. dollars have been translated at the rate of exchange prevailing at the balance sheet date while other balance sheet items are translated at historic rates. Revenue and expense items have been translated at the rate of exchange in effect on the transaction dates. Realized as well as unrealized foreign exchange gains and losses are included in income in the year in which they occur.

Deferred Start-up Costs

Costs incurred during the preproduction or start-up period of new facilities are capitalized until commercial service levels are attainable. These preproduction costs are classified as deferred start-up costs and amortized over a period not to exceed five years commencing on completion of the preproduction or start-up period.

Management periodically assesses the realizability of these preproduction costs with reference to service volumes, pricing arrangements, and expected future operations.

Debt Issue Costs

Debt issue costs related to the Company's credit facility (see Note 10) are included in other non-current assets and are amortized to interest expense over the scheduled maturity of the debt. As of October 31, 1999, accumulated amortization of debt issue costs was approximately $14.

3. Business Combinations and Divestitures

On June 30, 1999, the Company acquired for cash all of the issued and outstanding shares of Preferred Electric, Inc. ("Preferred"). The purchase price was $5,902 and was financed by cash on hand. Over the next two years, an additional amount, to a maximum of $3,200, will be payable if certain performance targets are met. Total assets acquired and liabilities assumed were approximately $3,002 and $774, respectively. The acquisition has been accounted for using the purchase method of accounting. Accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their anticipated fair values resulting in goodwill of approximately $3,674, which is being amortized to expense over 20 years using the straight-line method. A final allocation of the purchase price to net assets acquired is pending final determination of the fair value of assets and liabilities.

The accompanying consolidated statements of net earnings reflect the results of operations of Preferred from the date of acquisition through October 31, 1999.

On September 30, 1999, the Company acquired for cash and common and preferred shares of the Company, all the issued and outstanding common stock of Nationwide Electric, Inc. ("Nationwide"). The total purchase price was $78,802, of which $47,484 was paid in cash (which included $1,887 of transaction costs) and the remainder was paid for with 6,041,638 Bracknell common shares ($25,677), 1,273,535 newly issued Bracknell convertible preferred shares ($5,412) and warrants entitling the holders to purchase 385,822 of Bracknell's common shares at $4.25 for 18 months ($229). The number of Bracknell common shares issued to the shareholders of Nationwide was determined based upon a value of $4.25 per share. Under the terms of the agreement, in the event that the common shares of Bracknell do not, within 12 months of the date of the agreement, achieve an average closing price in excess of $4.25 over a thirty day trading period, the shareholders acquiring Bracknell stock are entitled to receive $0.25 per Bracknell share held. Total assets acquired and liabilities assumed were approximately $79,952 and $73,956, respectively. The acquisition has been accounted for using the purchase method of accounting. Accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their anticipated fair values resulting in goodwill of approximately $72,806 which is being amortized to expense over 20 years using the straight-line method. A final allocation of the purchase price to net assets acquired is pending final determination of the fair value of assets and liabilities.

The accompanying consolidated statements of net earnings reflect the results of operations of Nationwide from the date of the acquisition through October 31, 1999.

During 1999, the Company sold its 50% interest in National-State Construction Group Inc. for $1,360. Proceeds received from the National-State transaction were $68 in cash and the remainder in the form of a note receivable bearing interest at prime with the remainder payable as follows:

August 30, 2000	$ 170
August 30, 2001	238
August 30, 2002	442
August 30, 2003	442
	$ 1,292

The note is secured by the sold shares of National-State and an irrevocable letter of guarantee. There was no gain or loss resulting from this transaction.

4. Contract and Accounts Receivables

Contract and accounts receivables consist of the following:

	1999	1998
Current accounts	**$ 112,905**	$ 48,059
Holdbacks	**16,298**	17,873
Subtotal	**129,203**	65,932
Less: Allowance for doubtful accounts	**(813)**	(651)
Contract receivables, net	**$ 128,390**	$ 65,281

5. Contracts in Progress

Costs and estimated earnings on uncompleted contracts are summarized as net balances in process as follows:

	1999	1998
Costs incurred on uncompleted contracts	$ 521,695	$ 280,477
Estimated earnings	63,199	29,566
Total	584,894	310,043
Less: Billings to date	583,637	299,375
Net under billings	$ 1,257	$ 10,668

The net balances in process are classified on the balance sheet as follows:

	1999	1998
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 26,022	$ 27,400
Billings in excess of costs and estimated earnings on uncompleted contracts	(24,765)	(16,732)
Total	$ 1,257	$ 10,668

6. Capital Assets

Capital assets consist of the following:

1999	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Land	$ 181	$ –	$ 181
Buildings	1,698	75	1,623
Machinery & equipment	20,557	11,755	8,802
Leasehold improvements	1,974	1,331	643
	$ 24,410	$ 13,161	$11,249

1998	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Land	$ 173	$ –	$ 173
Buildings	445	143	302
Machinery & equipment	11,320	8,941	2,379
Leasehold improvements	1,524	1,023	501
	$ 13,462	$ 10,107	$ 3,355

7. Other Assets

Other assets consist of the following:

	1999	1998
Restricted cash (Note 9)	$ 2,830	$ 1,982
Long-term investments	1,437	412
Deferred start-up costs (Note 9)	5,164	1,336
Long-term portion of note receivable arising from sale of National-State	1,122	–
Deferred financing charges and other, net	3,772	–
	$ 14,325	$ 3,730

8. Joint Ventures

The Company engages in joint ventures for jointly controlled enterprises and jointly controlled operations. These are reflected in the accounts using the proportionate consolidation method.

The Company's proportionate share of the total assets, liabilities, and results of operations of these joint ventures as at and for the years ended October 31, 1999 and 1998, recorded in the consolidated financial statements of the Company, are as follows:

	1999	1998
Total assets	$ 32,287	$ 22,300
Total liabilities	11,813	6,345
Revenues	23,388	20,920
Operating costs and expenses	21,224	19,354
Operating income before provision for income taxes	2,164	1,566

During 1999, the Company entered into an agreement with its joint venture partner on the Cardinal Co-generation project, (which had been the subject of significant claims both by and against the owner) whereby all risks and rewards associated with the settlement of these claims would reside with the other joint venture partner. As a result of entering into this agreement, the Company recorded an additional loss of $2,343 in 1999 which has been reflected in restructuring and other charges.

9. Lebanese Postal System Services Contract

During 1998, PROFAC, Bracknell's 50% jointly controlled enterprise, and Canada Post Systems Management Limited ("CPSML") signed a contract with the Lebanese Ministry of Post and Telecommunications for the rehabilitation, reconstruction and operation of the Lebanese postal service. PROFAC and CPSML formed a joint venture Lebanese operating company ("LibanPost") to rebuild the postal system and carry out postal operations. As of October 31, 1999, Bracknell, through PROFAC, had invested $10,000, of which $5,000 was financed through a non-recourse Lebanese bank loan. Bracknell's share of PROFAC's investment in LibanPost is pledged as collateral for the loan. As commercial service levels have not yet been attained, net costs incurred during the start-up period have been capitalized. Commercial service levels are expected to be achieved by January, 2000. In addition, LibanPost has an agreement with a Lebanese bank to maintain a minimum cash balance of $5,600 until October 21, 2001 and $1,600 thereafter to support the issuance of a bank guarantee. The guarantee was issued to the Lebanese Ministry of Post and Telecommunications in support of a performance obligation under the contract and the Company's portion is classified as restricted cash in the consolidated financial statements.

10. Credit Facility

As of October 31, 1999, Nationwide had a $40,000 credit facility with a bank maturing on December 1, 2000, which was composed of a $25,000 revolving credit facility and a $15,000 term facility. At October 31, 1999, $19,935 had been drawn under the revolving credit facility at an interest rate of 7.16%. At October 31, 1999, $15,000 had been borrowed under the term facility at an interest rate of 7.18%. Subsequent to year end, the $34,935 was repaid with funds advanced from the new credit facility described below.

In order to finance the acquisition of Nationwide, the Company was advanced $25,000 against a proposed credit facility. Subsequent to year-end, the Company finalized the $192,500 credit facility with a syndicate of banks maturing on October 31, 2004, which is comprised of the following:

	Available	**Utilized at October 31 1999**
Canadian Term Commitment	$ 25,000	**$ 25,000**
U.S. Term Commitment	15,000	**15,000**
Canadian Operating Commitment	12,500	**–***
U.S. Operating Commitment	25,000	**19,935**
Acquisition Commitment	115,000	**–**
	$ 192,500	**$ 59,935**

*No actual cash drawn on this facility although letters of credit totaling $4.4 million were issued and outstanding.

The unused portion of the acquisition facility will be cancelled on April 30, 2000. Borrowings under this facility currently bear interest at LIBOR plus 2.0% or PRIME plus 1.0, however can vary between 1.5% to 2.5% for LIBOR or 0.5% to 1.5% for PRIME based on the Company's ratio of total net debt to consolidated earnings before interest, tax, depreciation and amortization.

Fees associated with this credit facility of approximately $2.3 million have been deferred and will be amortized over the term of the debt. Amounts drawn against the term and acquisition facilities do not require any principal repayments prior to January 31, 2001. Otherwise, repayments are due ratably in quarterly installments at the rate of 5% for the 12 quarters following January 31, 2001, increasing to 10% for the remaining 4 quarters.

The acquisition facility may be used exclusively to finance acquisitions permitted under the credit agreement. The operating facilities, which are revolving credit facilities, may be used only for general corporate purposes and not for acquisitions.

The overall credit facility is secured by all assets of the Company, including the pledges of all shares of the Company's subsidiaries which guarantee the repayment of all amounts due under the facility and the facility restricts pledges of all material assets. The credit facility requires compliance with usual and customary covenants for a credit facility of this nature including the limitation on the payment of dividends on common shares and the consent of the lenders for acquisitions that do not satisfy specified criteria and financial covenants.

11. Long-Term Debt

A summary of long-term debt is as follows:

	1999	1998
Term commitment (See Note 10)	**$ 40,000**	$ –
Debt associated with investment in LibanPost	**5,466**	–
Capital leases	**780**	–
Other	**552**	–
	46,798	–
Less: Current portion	**(840)**	–
Total	**$ 45,958**	$ –

Aggregate annual maturities of long-term debt during the following periods are:

Years Ending October 31,	
2000	$ 840
2001	9,151
2002	9,073
2003	8,893
2004	16,893
2005 and thereafter	1,948
	$ 46,798

Total interest expense on long-term debt was $1,267 in 1999 (nil in 1998).

12. Income Taxes

The provision for income taxes consists of the following:

	1999	1998
Current	**$ 9,591**	$ 3,037
Deferred	**(7,212)**	2,434
	$ 2,379	$ 5,471

The Company's effective income tax rate has been determined as follows:

	1999	1998
Canadian statutory income tax rate	**44.5%**	44.5%
Change in valuation allowance	**(13.9%)**	3.1%
Non-taxable capital gains	**–**	(2.9%)
Non-taxable foreign currency translation	**(6.6%)**	–
Other	**11.4%**	(3.0%)
	35.4%	41.7%

The significant components of the current deferred tax asset (liability) consist of the following:

	1999	1998
Contract accounting	**$ (1,392)**	$ (7,846)
Non-deductible reserves	**2,035**	–
Other	**143**	–
	$ 786	$ (7,846)

The significant components of the long-term deferred tax asset consist of the following:

	1999	1998
Tax loss carryforwards	**$ 78**	$ 1,943
Book vs. tax, depreciation and amortization	**956**	794
Non-deductible reserves	**480**	–
	1,514	2,737
Less: valuation allowance	**–**	(933)
	$ 1,514	$ 1,804

13. Interest and Other Income, Net

Interest and other income consists of the following:

	1999	1998
Interest, net	**$ 428**	$ 430
Interest on tax reassessment	**–**	1,329
Foreign exchange gains	**414**	1,659
Other	**656**	961
	$ 1,498	$ 4,379

14. Employee Benefit Plans

The Company and its subsidiaries are involved in a number of employee benefit plans, including both defined contribution and defined benefit plans.

Under the various defined contribution plans, the annual contributions required by the Company are generally determined based on a percentage of eligible wages, the level of the Company's return on sales and return on net assets or at the discretion of the Board of Directors. Company contributions for these plans were approximately $402 (1998 - $366) for The State Group Limited and $611 for Nationwide and Preferred since their date of acquisition.

Two of the Company's U.S. subsidiaries have multi-employer defined benefit pension plans. Under these plans, certain liabilities can be imposed on the Company if the Company withdraws from the plan or the plan terminates. Company contributions for these plans were approximately $353 from the date of acquisition to year end. The Company's contingent liability, if any, for its share of any unfunded vested liabilities cannot be determined at this time.

15. Share Capital

Authorized share capital consists of the following:

An unlimited number of no par value common shares.

An unlimited number of preferred shares issuable in series of which one series is designated Series A. Series A preferred shares are cumulative, redeemable, retractable, convertible preferred shares. The Company will, with appropriate approval, convert each preferred share into one common share of Bracknell. If the shares are not converted to common shares, they will have a fixed cumulative dividend payable at an annual rate of 9.5% accruing from March 31, 2000. On or after September 30, 2004, Bracknell has the right to redeem the preferred shares at $4.25 per share plus accrued and unpaid dividends. Bracknell also has the opportunity to purchase the preferred shares for cancellation.

At October 31, 1999 common shares issued and outstanding consisted of 32,546,975 shares (1998 – 26,373,000 shares). Preferred shares issued and outstanding consisted of 1,273,535 issued at $4.25. In addition, the Company has warrants outstanding entitling the holders to purchase 385,822 common shares at $4.25 until March 31, 2001.

16. Stock Option and Purchase Plans

The Company has reserved for issuance common shares for options granted to certain officers, directors and key employees exercisable as follows:

	1999	1998
Number of options outstanding, beginning of year	**1,085,000**	1,088,750
Options granted	**2,580,594**	100,000
Options cancelled	**(101,500)**	(3,750)
Options exercised	**(132,500)**	(100,000)
Number of options outstanding, end of year	**3,431,594**	1,085,000

Of the above options, 1,154,000 were exercisable at October 31, 1999. Exercise prices range between $2.70 CDN and $6.45 CDN per share which were equal to the market prices at the time the options were granted. These options expire between January 2002 and September 2009. In addition, the Company has agreed to issue, following shareholder approval, 1,104,594 additional options relating to the acquisition of Nationwide which have been reflected above in options granted.

17. Related Party Transactions

The Company, in the ordinary course of business, performs work for its joint ventures on normal commercial terms and provides cash and guarantee facilities in accordance with joint venture participant arrangements.

The Company also provides and receives cash advances to and from affiliated companies and business ventures. Advances made and cash distribution receipts are mainly of a project nature and are interest free.

18. Restructuring and Other Charges

The restructuring and other charges results from the retirement of former executives and management changes at Bracknell and its wholly-owned subsidiary, The State Group Limited, in an amount of $5,266 with the remainder relating to the settlement of the dispute on the Cardinal project (see Note 8).

19. Operating Leases

The Company leases offices, warehouse facilities and field vehicles which are classified as operating leases. Annual minimum lease payments under these noncancellable operating leases during the following periods are:

Years Ending October 31,	
2000	$ 3,655
2001	2,941
2002	1,774
2003	1,441
2004 and thereafter	4,115
	$ 13,926

20. Commitments, Contingencies and Claims

The Company is involved in claims and litigation primarily arising from the normal course of business for the reimbursement of costs of additional work and of additional costs incurred due to changed conditions. Any settlements or awards will be recorded in the accounts as they are resolved or when the outcome and amounts are determinable.

In the normal course of business, the Company is required to provide performance bonds and/or payment bonds, in respect of certain contracts, which guarantee payment for labour, material and services in the event of default by the Company. The Company has executed an indemnity agreement in favour of the surety of these bonds. In addition, the Company provides bonding for its various joint venture and investment interests.

In October 1997, The Allison-Smith Company ("Allison"), a subsidiary of Nationwide acquired in October 1998, was named as a defendant in a lawsuit arising out of electrical work performed by Allison as a subcontractor. The initial complaint filed against the general contractor for the project alleges the system installed by Allison is defective. Allison denies any responsibility for the claims on the basis that, among other things, installation was in accordance with the approved plans and specifications of the project. Prior to its acquisition by Nationwide, Allison entered into mediation in an effort to settle the lawsuit. Based on a settlement offer made during mediation of such lawsuit, Allison recorded a $1,200 liability. Such liability is reflected in the consolidated balance sheets within other long-term liabilities. Under the Stock Purchase Agreement entered into with Nationwide, former stockholders of Allison have agreed to indemnify Nationwide for settlements reached in the above matter; accordingly, Nationwide recorded an asset of $720 (which is net of associated tax benefit) to reflect such indemnification.

21. Segmented Information

Bracknell has two reportable segments; electrical, mechanical and other technical services and facilities management services.

1999	Electrical Mechanical and Other Services	Facilities Management Services	Corporate	Total
Revenue	**$293,105**	**$23,342**	**$ –**	**$316,447**
Earnings from operations before restructuring and other charges	**13,717**	**1,457**	**(2,410)**	**12,764**
Interest revenue	**72**	**173**	**624**	**869**
Interest expense	**374**	**1**	**66**	**441**
Expenditures on capital assets	**1,363**	**1,449**	**88**	**2,900**
Amortization of capital assets	**1,538**	**496**	**58**	**2,092**
Amortization of goodwill	**377**	**46**	**209**	**632**
Identifiable assets	**240,928**	**14,547**	**16,218**	**271,693**

1998	Electrical Mechanical and Other Services	Facilities Management Services	Corporate	Total
Revenue	$273,373	$22,553	$ –	$295,926
Earnings from operations before restructuring and other charges	10,394	1,745	(3,678)	8,461
Interest revenue	163	64	1,903	2,130
Interest expense	371	–	–	371
Expenditures on capital assets	1,329	185	167	1,681
Amortization of capital assets	1,113	272	45	1,430
Amortization of goodwill	3	83	202	288
Identifiable assets	94,285	8,372	30,987	133,644

Revenues by Geographic segment:

	1999	1998
Canada	**$ 224,221**	$ 230,760
United States	**86,920**	41,684
Other	**5,306**	23,482

Assets by Geographic segment:

	1999	1998
Canada	**$ 89,528**	$ 118,270
United States	**177,258**	11,485
Other	**4,907**	3,889

22. Uncertainty Due to the Year 2000 Issue

Most entities depend on computerized systems and therefore are exposed to the Year 2000 conversion risk, which, if not addressed, could affect an entity's ability to conduct normal business operations. Management is addressing this issue, however, given the nature of this risk, it is not possible to be certain that all aspects of the Year 2000 issue affecting the Company and those with whom it deals such as customers, suppliers or other third parties, will be fully resolved without adverse impact on the Company's operation.

23. Subsequent Events

Subsequent to year end, the Company granted to certain employees, subject to shareholder approval, 205,000 stock options. The exercise prices range between $5.85 CDN and $6.05 CDN per share which were equal to the market prices at the time the options were granted.

Also subsequent to year end, PROFAC, the Company's 50% owned subsidiary, signed a Memorandum of Understanding with Bell Canada to acquire its wholly owned subsidiary, NEXACOR Realty Management Inc. NEXACOR will continue to provide facilities management and other real estate services to Bell under a 10-year outsourcing contract. The purchase price to P.ROFAC is approximately $25 million, with approximately $18 million due in 2000. PROFAC intends to finance the acquisition through its own borrowing and cash flow.

Consolidated Statement of Net Earnings

Fiscal year 1999, restated for the 3 months ended

(in thousands of U.S. dollars, except per share amounts)	Jan. 31	Apr. 30	July 31	Oct. 31	**Total**
Revenues	$ 74,591	$ 70,849	$ 71,573	$ 99,434	**$ 316,447**
Cost of services	66,148	61,585	62,375	84,220	**274,328**
Gross margin	8,443	9,264	9,198	15,214	**42,119**
General and administrative expenses	5,429	6,239	6,406	9,189	**27,263**
Earnings before interest, taxes, depreciation, amortization and restructuring	3,014	3,025	2,792	6,025	**14,856**
Depreciation and amortization	470	427	561	634	**2,092**
Restructuring and other charges	–	–	7,609	–	**7,609**
Earnings from operations	2,544	2,598	(5,378)	5,391	**5,155**
Income from long-term investments	13	8	4	35	**60**
Interest (expense) and other income	490	312	(25)	721	**1,498**
Earnings before provision for income taxes	3,047	2,918	(5,399)	6,147	**6,713**
Provision for income taxes	985	1,127	(2,126)	2,393	**2,379**
Earnings before goodwill charges	2,062	1,791	(3,273)	3,754	**4,334**
Goodwill charges, net of tax of $0, $0, $7, $82	63	65	76	339	**543**
Net earnings	$ 1,999	$ 1,726	$ (3,349)	$ 3,415	**$ 3,791**
Earnings per share					
Basic	$ 0.07	$ 0.08	$ (0.13)	$ 0.12	**$ 0.14**
Fully diluted	$ 0.07	$ 0.07	$ (0.12)	$ 0.11	**$ 0.14**

Consolidated Cash Flow Statement

Fiscal year 1999, restated for the 3 months ended

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(in thousands of U.S. dollars)	Jan. 31	Apr. 30	July 31	Oct. 31	**Total**
CASH FLOWS FROM OPERATING ACTIVITIES					
Net earnings	$ 1,999	$ 1,726	$ (3,349)	$ 3,415	**$ 3,791**
Items not requiring outlay of cash					
Depreciation and amortization	470	427	561	634	**2,092**
Goodwill charges	63	65	83	421	**632**
Deferred income taxes	–	27	20	(7,259)	**(7,212)**
Gain on sale of fixed assets	–	–	(42)	(16)	**(58)**
(Income) from long-term investments	(13)	(8)	(4)	(35)	**(60)**
Amortization of lease inducement	(16)	(17)	(17)	(17)	**(67)**
	2,503	2,220	(2,748)	(2,857)	**(882)**
Change in net operating assets	(7,604)	4,507	476	11,847	**9,226**
	(5,101)	6,727	(2,272)	8,990	**8,344**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Nationwide Electric, including assumed debt of $14,375	–	–	–	(61,859)	**(61,859)**
Purchase of Preferred Electric, net of cash $349	–	–	(5,986)	433	**(5,553)**
Long-term investments and acquisitions	(983)	–	(17)	(461)	**(1,461)**
Deferred start-up costs	(307)	(1,274)	(963)	(1,284)	**(3,828)**
Purchases of capital assets	(2,148)	176	(551)	(377)	**(2,900)**
Lease inducement	5	(25)	(25)	45	**–**
Other	314	(148)	271	(271)	**166**
	(3,119)	(1,271)	(7,271)	(63,774)	**(75,435)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Financing costs	–	–	–	(2,284)	**(2,284)**
Common shares issued	–	92	233	–	**325**
Borrowings under credit facilities	4,945	384	214	25,103	**30,646**
Repayment of term facilities	–	–	–	(995)	**(995)**
Restricted cash	(848)	–	–	–	**(848)**
	4,097	476	447	21,824	**26,844**
Net increase (decrease) in cash and cash equivalents	(4,123)	5,932	(9,096)	(32,960)	**(40,247)**
Net cash and cash equivalents, beginning of the period	25,405	21,282	27,214	18,118	**25,405**
Net cash and cash equivalents, (borrowings) end of period	$ 21,282	$ 27,214	$ 18,118	$ (14,842)	**$ (14,842)**

Consolidated Statement of Net Earnings

Fiscal year 1998, restated for the 3 months ended

(in thousands of U.S. dollars, except per share amounts)	Jan. 31	Apr. 30	July 31	Oct. 31	**Total**
Revenues	$ 68,680	$ 78,140	$ 67,651	$ 81,455	**$ 295,926**
Cost of services	61,731	69,604	59,531	71,557	**262,423**
Gross margin	6,949	8,536	8,120	9,898	**33,503**
General and administrative expenses	5,428	5,984	6,172	6,028	**23,612**
Earnings before interest, taxes, depreciation and amortization	1,521	2,552	1,948	3,870	**9,891**
Depreciation and amortization	270	303	361	496	**1,430**
Earnings from operations	1,251	2,249	1,587	3,374	**8,461**
Income (loss) from long-term investments	199	(7)	51	51	**294**
Interest and other income	574	1,232	1,176	1,397	**4,379**
Earnings before provision for income taxes	2,024	3,474	2,814	4,822	**13,134**
Provision for income taxes	647	1,404	1,362	2,058	**5,471**
Earnings before goodwill charges	1,377	2,070	1,452	2,764	**7,663**
Goodwill charges, net of tax of nil	72	72	72	72	**288**
Net earnings	$ 1,305	$ 1,998	$ 1,380	$ 2,692	**$ 7,375**
Earnings per share					
Basic	$ 0.05	$ 0.08	$ 0.05	$ 0.10	**$ 0.28**
Fully diluted	$ 0.05	$ 0.08	$ 0.05	$ 0.10	**$ 0.27**

Consolidated Cash Flow Statement

Fiscal year 1998, restated quarters as at

(in thousands of U.S. dollars)	Jan. 31	Apr. 30	July 31	Oct. 31	**Total**
CASH FLOWS FROM OPERATING ACTIVITIES					
Net earnings	$ 1,305	$ 1,998	$ 1,380	$ 2,692	**$ 7,375**
Items not requiring outlay of cash					
Depreciation and amortization	270	303	361	496	**1,430**
Goodwill charges	72	72	72	72	**288**
Deferred income taxes	147	36	–	2,318	**2,501**
Gain on sale of fixed assets	(50)	(4)	(1)	55	**–**
(Income) loss from long-term investments	(199)	6	(51)	(51)	**(295)**
Amortization of lease inducement	(17)	(16)	(16)	(16)	**(65)**
	1,528	2,395	1,745	5,566	**11,234**
Change in net operating assets	(4,391)	(2,670)	489	5,831	**(741)**
	(2,863)	(275)	2,234	11,397	**10,493**
CASH FLOWS FROM INVESTING ACTIVITIES					
Long-term investments and acquisitions	1,666	(220)	–	(2,137)	**(691)**
Deferred start-up costs	–	–	–	(1,336)	**(1,336)**
Purchases of capital assets	(584)	(513)	(433)	(151)	**(1,681)**
Other	(24)	(25)	(24)	(53)	**(126)**
	1,058	(758)	(457)	(3,677)	**(3,834)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Long-term debt	–	373	(4)	(369)	**–**
Common shares issued	–	–	–	176	**176**
Restricted cash	–	–	–	(1,982)	**(1,982)**
	–	373	(4)	(2,175)	**(1,806)**
Net increase (decrease) in cash and cash equivalents	(1,805)	(660)	1,773	5,545	**4,853**
Net cash and cash equivalents, beginning of the period	20,552	18,747	18,087	19,860	**20,552**
Net cash and cash equivalents, end of the period	$ 18,747	$ 18,087	$ 19,860	$ 25,405	**$ 25,405**

Selected Financial Information

For the years ended October 31

(in thousands of U.S. dollars except share data)	1990	1991	1992	1993
STATEMENT OF NET EARNINGS				
Revenue	$ 112,809	$ 131,084	$ 145,000	$ 123,739
Cost of services	99,004	111,387	119,404	103,408
Gross margin	13,805	19,697	25,596	20,331
General and administrative expenses	8,418	11,688	13,615	13,034
Earnings (loss) before income taxes, depreciation, amortization and restructuring	5,387	8,009	11,981	7,297
Depreciation and amortization	537	552	766	845
Restructuring and other charges	–	–	–	–
Operating earnings (loss)	4,850	7,457	11,215	6,452
Income (loss) from long-term investments	–	–	–	–
Interest and other income	397	1,108	1,097	1,154
Earnings before provision for tax	5,247	8,565	12,312	7,606
Provision for (recovery of) income taxes	–	1,620	5,624	2,652
Net earnings (loss) before goodwill charges	5,247	6,945	6,688	4,954
Goodwill charges	107	116	117	334
Net earnings (loss)	$ 5,140	$ 6,829	$ 6,571	$ 4,620
BALANCE SHEET DATA				
Cash and short-term investments	$ 9,091	$ 7,214	$ 19,271	$ 24,820
Accounts receivable	15,637	14,506	19,047	23,364
Hold backs	7,509	11,446	8,769	10,281
Costs and estimated earnings in excess of billings on uncompleted contracts	9,787	11,593	15,197	10,123
Inventory	–	–	–	–
Capital assets	1,075	1,297	1,910	2,292
Long-term investments	–	–	2,503	8,217
Goodwill	1,970	1,902	1,786	1,549
Other assets	2,668	1,988	1,425	1,029
Total assets	$ 47,737	$ 49,946	$ 69,908	$ 81,675
Borrowings under credit facilities	$ –	$ –	$ –	$ –
Trade accounts payables and accrued liabilities	19,382	21,475	22,614	18,439
Billings in excess of cost and estimated earnings on incomplete projects	14,124	11,593	9,283	6,463
Long-term debt	3,850	3,635	–	–
Other liabilities	–	1,620	8,535	9,424
Common shares	1,458	2,545	13,827	27,079
Retained earnings	8,923	9,078	15,649	20,270
Total liabilities and shareholders' equity	$ 47,737	$ 49,946	$ 69,908	$ 81,675
COMMON SHARE DATA				
Net earnings				
Basic	$ 0.34	$ 0.40	$ 0.30	$ 0.19
Fully diluted	0.30	0.38	0.28	0.19
Operating earnings (1)				
Basic	0.18	0.25	0.29	0.14
Fully diluted	0.17	0.23	0.27	0.14
Cash flow from operations				
Basic	0.59	0.29	0.32	(0.03)
Fully diluted	0.48	0.26	0.30	(0.03)
Shareholders' equity	0.68	0.68	1.27	1.80
Share price				
At year end	0.89	2.07	3.24	2.72
High for the fiscal year	1.30	2.14	3.89	5.83
Low for the fiscal year	0.81	0.71	1.91	2.53
Shares outstanding (thousands)				
Weighted average	15,219	16,837	21,793	24,782
Year-end	15,219	17,160	23,282	26,282
Weighted average fully diluted	18,805	18,805	23,438	24,782
ADDITIONAL INFORMATION				
Return on average invested capital employed (1) (2)	52.4%	62.8%	68.2%	21.9%
Return on shareholders' equity (1)	49.5%	62.1%	32.0%	12.0%
Cash flow from operations	$ 9,034	$ 4,918	$ 7,052	$ (757)
EBITDA margin	4.8%	6.1%	8.3%	5.9%
Total market value of common shares	$ 13,545	$ 35,521	$ 75,434	$ 71,487

(1) Excluding restructuring and other charges.

1994	1995	1996	1997	1998	**1999**
$ 140,968	$ 191,736	$ 211,215	$ 210,433	$ 295,926	**$ 316,447**
144,742	171,031	184,909	181,052	262,423	**274,328**
(3,774)	20,705	26,306	29,381	33,503	**42,119**
14,203	14,403	17,794	20,865	23,612	**27,263**
(17,977)	6,302	8,512	8,516	9,871	**14,856**
761	647	675	809	1,430	**2,092**
–	–	–	–	–	**7,609**
(18,738)	5,655	7,837	7,707	8,461	**5,155**
(531)	570	(27)	(588)	294	**60**
759	743	528	3,437	4,379	**1,498**
(18,510)	6,968	8,338	10,556	13,134	**6,713**
(8,189)	3,199	3,915	3,925	5,471	**2,379**
(10,321)	3,769	4,423	6,631	7,663	**4,334**
219	156	202	205	288	**543**
$ (10,540)	$ 3,613	$ 4,221	$ 6,426	$ 7,375	**$ 3,791**
$ 17,269	$ 16,227	$ 13,432	$ 22,600	$ 25,748	**$ 5,093**
27,508	31,710	35,509	42,524	47,408	**112,092**
12,760	16,003	14,901	15,181	17,873	**16,298**
10,370	15,081	14,800	15,984	27,400	**26,022**
61	699	351	494	563	**666**
1,912	1,988	2,337	2,865	3,355	**11,249**
7,861	7,880	7,503	1,751	412	**1,437**
1,330	2,482	2,279	2,322	2,261	**78,174**
7,899	7,542	7,129	9,863	8,624	**20,662**
$ 86,970	$ 99,612	$ 98,241	$ 113,533	$ 133,644	**$ 271,693**
$ –	$ –	$ –	$ 2,048	$ 343	**$ 19,935**
28,635	35,467	33,744	39,756	45,663	**78,767**
17,777	18,290	13,604	10,860	16,732	**24,765**
–	–	–	–	–	**45,958**
3,749	5,432	6,249	9,761	12,306	**6,789**
27,079	27,079	27,079	27,057	27,233	**58,876**
9,730	13,344	17,565	23,991	31,367	**36,603**
$ 86,970	$ 99,612	$ 98,241	$ 113,533	$ 133,644	**$ 271,693**
$ (0.40)	$ 0.14	$ 0.16	$ 0.25	$ 0.28	**$ 0.14**
(0.40)	0.14	0.16	0.24	0.27	**0.14**
(0.40)	0.12	0.17	0.16	0.18	**0.26**
(0.40)	0.12	0.16	0.16	0.17	**0.25**
(0.27)	(0.01)	(0.10)	0.20	0.40	**0.31**
(0.27)	(0.01)	(0.10)	0.19	0.38	**0.29**
1.40	1.54	1.70	1.94	2.22	**2.93**
1.78	1.66	1.76	3.01	3.21	**4.08**
3.81	2.27	2.46	3.24	4.02	**4.90**
1.43	1.56	1.53	1.67	2.37	**3.11**
26,282	26,282	26,282	26,278	26,323	**27,003**
26,282	26,282	26,282	26,273	26,373	**32,547**
26,282	26,754	27,130	27,267	27,410	**29,102**
(49.4)%	14.4%	15.7%	13.9%	14.7%	**12.8%**
(25.1)%	9.4%	9.9%	13.4%	13.5%	**15.3%**
$ (7,004)	$ (207)	$ (2,731)	$ 5,203	$ 10,493	**$ 8,344**
(12.8%)	3.3%	4.0%	4.0%	3.3%	**4.7%**
$ 46,782	$ 43,628	$ 46,256	$ 79,082	$ 84,657	**$ 132,792**

(2) Operating earnings adjusted for restructuring and other charges, and income taxes at the statutory rate of the provision for taxes, as a percentage of the average invested capital. Invested capital is the aggregate of shareholders' equity, long-term debt and net of cash and borrowings under credit facilities.

Board of Directors & Officers

GILBERT S. BENNETT ■●
Chairman of the Board

JOHN D. AMODEO ●
Executive Vice President & Chief Financial Officer

FREDERICK C. GREEN ●
Executive Vice President & Chief Operating Officer

WADE C. LAU ■
Director

PAUL D. MELNUK ■●
President & Chief Executive Officer

JAMES A. MILNE ●
Executive Vice President

JAMES W. MOIR, JR. ■◆★▼
Director

JOHN R. NACCARATO ●
Corporate Counsel & Secretary

GREGORY J. ORMAN ■
Director

MICHAEL J. SABIA ■◆★▼
Director

IAN G. STOCK ●
Executive Vice President

JONATHAN J. TAYLOR ●
Executive Vice President

ALLAN R. TWA ■◆★▼
Director

■ Director
● Officer
◆ Member of the Audit Committee
★ Member of the Compensation Committee
▼ Member of the Corporate Governance Committee

Independent Director Profiles

Gilbert S. Bennett

Mr. Bennett is Chairman of the Board of Canadian Tire Corporation, Limited. He is also a Director of Air Nova Inc., Canadian Niagara Power Company Limited and Fortis Inc.

Mr. Bennett practiced corporate law in Toronto for 15 years, after which he served as President and/or Chief Executive Officer of Comstock International, Canadair Limited, Lundrigans Canada Limited and Shieldings Incorporated. He also held the position of Senior Vice President of Gulf Canada Resources.

Mr. Bennett serves as Chairman of Bracknell's Board of Directors and therefore participates in all committee meetings.

Wade C. Lau

Mr. Lau is Vice President of Opus Properties, L.L.C., the asset management arm of the Opus Group of Companies, one of the largest commercial real estate development companies in the United States. He joined Opus in 1999 and has over 15 years of diversified real estate experience. Prior to joining Opus, he served as Executive Managing Director for CB Richard Ellis and was previously Executive Vice President and Chief Operating Officer of the Shelard Group, Inc. He was also a leasing agent for Vantage Companies and a lending officer in the real estate division of Norwest Bank.

Mr. Lau recently joined Bracknell's Board in connection with the acquisition of Nationwide Electric, Inc.

James W. Moir, Jr.

Mr. Moir is a past President and Chief Executive Officer of Maritime Medical Care Inc., one of Canada's leading health services corporations. He has also previously held a variety of senior positions in the investment industry, including Senior Vice President, Director and member of the Executive Committee of Merrill Lynch Canada Inc., and Chairman, President and Chief Executive Officer of Midland Capital Inc. He currently serves on a number of boards including Keltic Inc., Salter Street Films Inc., and Sears Canada Inc. He is Chairman of the Board of Technowledge Healthcare Systems Inc. and a member of the Board of Governors of Acadia University. At Bracknell, he is a member of the Audit and Compensation Committees and is Chairman of the Governance Committee.

Gregory J. Orman

Mr. Orman is President of KLT Inc., an unregulated subsidiary of Kansas City Power & Light. Mr. Orman is also Chairman of Strategic Energy, L.L.C., a national supply-side energy services company, Chairman of Custom Energy Holdings, L.L.C., an energy services holding company, a Management Committee member of Custom Lighting Services, L.L.C., a national outdoor lighting contractor, Chairman of ELC Electric, Inc., a licensed electrical contractor, and Chairman of Energy Financing Corp., a captive leasing company. Mr. Orman joined Bracknell's Board in September of 1999 in connection with the acquisition of Nationwide Electric, Inc.

Michael J. Sabia

Mr. Sabia was recently appointed Vice Chairman & Chief Executive Officer of Bell Canada International Inc. Before joining Bell Canada, he was Executive Vice President and Chief Financial Officer of the Canadian National Railway Company. Prior to his tenure at Canadian National Railway, Mr. Sabia held senior positions in the Federal Public Service in the Department of Finance and the Privy Council Office. At Bracknell, he is a member of the Audit, Compensation and the Governance Committees. Mr. Sabia serves as Chairman of the Compensation Committee.

Allan R. Twa, Q.C.

Mr. Twa has been a partner in the law firm of Burnet, Duckworth & Palmer, Barristers & Solicitors, for the past 22 years.

Mr. Twa was admitted to the Alberta Bar in 1971 and his practice has included corporate and securities law matters since 1978.

Mr. Twa is a member of the Compensation Committee, Corporate Governance Committee and is Chairman of the Audit Committee at Bracknell.

Operations

BRACKNELL TELECOMMUNICATION SERVICES INC.

Suite 1506
150 York Street
Toronto, Ontario M5H 3S5

IAN STOCK
President

PROFAC FACILITIES MANAGEMENT SERVICES INC. (50.0%)

304 The East Mall, Suite 900
Etobicoke, Ontario M9B 6E2

JON TAYLOR
Chief Executive Officer

NATIONWIDE ELECTRIC, INC.

2800 Metropolitan Centre
333 South Seventh Street
Minneapolis, Minnesota 55402

RICK GREEN
President and Chief Executive Officer

THE STATE GROUP LIMITED

2150 Islington Avenue,
4th Floor
Etobicoke, Ontario M9P 3V4

JIM MILNE
President and Chief Operating Officer

Annual Meeting

The Annual Meeting of Shareholders will be held on Tuesday, February 29, 2000 at 11:00 am (Toronto time) at the TSE Conference Centre, TSE Auditorium, The Exchange Tower, 130 King Street West, Toronto, Ontario M5X 1J2.

Investor Material

For a copy of the Annual Report, Interim Reports and any other investor related material, contact:

INVESTOR RELATIONS

Tel: 416-360-4105
Fax: 416-362-3290
Email: investor-relations@bracknell.ca

For Internet access to this Annual Report, selected financial reports and other news, please visit our website at www.bracknell.ca

TRANSFER AGENT AND REGISTRAR

Inquiries regarding change of address, registered shareholdings, share transfers, lost certificates and duplicate mailings should be directed, as appropriate, to:
Montreal Trust Company of Canada
151 Front Street West, 8th Floor
Toronto, Ontario M5J 2N1
Tel: 1-800-663-9097

STOCK TRADING

Exchange Listing Toronto Stock Exchange, Canada
Stock Symbol: BRK

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